

## Message Text

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E.O. 11652: N/A

TAGS: AORG, OECD, NATO

SUBJECT: FRG MEMORANDUM ON CCG PAY ADJUSTMENT PROCE-

-- DURES

1. WE HAVE RECEIVED FOLLOWING MEMORANDUM FROM FRG EMBASSY:

"WASHINGTON, OCTOBER 14, 1975

MEMORANDUM

1. THE PAY ADJUSTMENT PROCEDURES APPLIED BY THE EUROPEAN COMMUNITY AND THE CO-ORDINATED ORGANIZATIONS (NATO, OECD, COUNCIL OF EUROPE, WEU, ESA) ARE AT THE PRESENT UNDER REVIEW. THE REVIEW HAS PROVED URGENTLY NECESSARY IN VIEW OF THE CONSTANTLY WIDENING GAP BETWEEN SALARIES PAID BY UNCLASSIFIED

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THE SAID INTERNATIONAL ORGANIZATIONS AND THOSE PAID BY

PUBLIC SERVICES IN MEMBER COUNTRIES. NATIONAL SALARIES HAVE BEEN RISING AT A LOWER RATE THAN COMPARABLE SALARIES AT THE INTERNATIONAL LEVEL, THE LATTER, AS A RULE, BEING TAX-FREE IN ADDITION.

2. THE GOVERNMENT OF THE FEDERAL REPUBLIC OF GERMANY HAS LONG BEEN CONCERNED ABOUT THIS DEVELOPMENT AND CONSIDERS THAT A CORRECTION IS NOW NECESSARY. IT THEREFORE

APPRECIATES THE FACT THAT THE EC AND CO-ORDINATED ORGANIZATIONS ARE WORKING OUT PROPOSALS ON HOW TO CHECK THIS TREND. THESE PROPOSALS PROVIDE THAT FUTURE PAY ADJUSTMENTS IN THE EC AND COORDINATED ORGANIZATIONS WILL IN TOTAL NOT EXCEED THE AVERAGE NET PAY RISES IN THE PUBLIC SERVICES OF MEMBER COUNTRIES, AND THAT TO THIS END DIFFERENT ADJUSTMENT PROCEDURES WILL BE INTRODUCED.

TO ACHIEVE THIS AIM, THE FOLLOWING MEASURES ARE CONSIDERED NECESSARY:

(A) FOR THE CO-ORDINATED ORGANIZATIONS

-- THE EXTENT TO WHICH SALARIES HAVE BEEN ADJUSTED TO THE RISING COST OF LIVING HAS BEEN EXCESSIVE AND SHOULD BE REDUCED. IN ADDITION TO AN ANNUAL ADJUSTMENT, I.E. ON JULY 1, THE PRESENT PROCEDURE PROVIDES THAT ANY INCREASE OF 5 PERCENT IN THE COST OF LIVING IS FOLLOWED ALMOST AUTOMATICALLY BY A CORRESPONDING PAY INCREASE. THIS PROCEDURE MUST BE DISCONTINUED. INSTEAD, THERE SHOULD BE TWO ANNUAL REVIEWS, I.E. ON JANUARY 1 AND JULY 1. ANY ADVANTAGE IN TERMS OF PURCHASING POWER RESULTING FROM THE ADJUSTMENT OF TAX-FREE SALARIES TO A HIGHER COST OF LIVING MUST BE TAKEN INTO ACCOUNT IN THE GENERAL REVIEW OF SALARIES.

(B) FOR THE EUROPEAN COMMUNITY

-- THE ADJUSTMENTS ON ACCOUNT OF HIGHER COST OF LIVING AND PAY RISES (INCREASE IN PURCHASING POWER) IN THE PUBLIC SERVICES OF MEMBER COUNTRIES SHOULD BE FIXED AS

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NET VALUES WITHOUT EXPLICITLY BEING TIED TO SPECIFIC INDICATORS. THIS MEANS THAT AT THE NATIONAL LEVEL, TOO, THE PRACTICE OF CALCULATING PAY RISES ON THE BASIS OF THE TOTAL WAGE AND SALARIES INDICATOR SHOULD BE DISCONTINUED.

-- THE EC COMMISSION AND THE SECRETARY-GENERALS OF THE CO-ORDINATED ORGANIZATIONS ARE NOT IN FAVOR OF THESE

PROPOSALS.

3. A PARALLEL DEVELOPMENT OF NATIONAL SALARIES AND SALARIES PAID BY INTERNATIONAL ORGANIZATIONS AND A MORE EQUITABLE PAY ADJUSTMENT PROCEDURE WOULD SEEM TO BE NECESSARY ON GROUNDS OF STABILITY AS WELL. THE GOVERNMENT OF

THE FEDERAL REPUBLIC OF GERMANY IS THEREFORE SUPPORTING EFFORTS TO ACHIEVE THIS AIM AS SOON AS POSSIBLE. IN VIEW OF THE IMPORTANCE OF THIS MATTER, WE WOULD APPRECIATE IT IF, IN THE COMPONENT BODIES, THE GOVERNMENT OF THE UNITED STATES OF AMERICA WERE TO SUPPORT OUR EFFORTS TO PREVENT ANY FURTHER WIDENING OF THE GAP BETWEEN INTERNATIONAL AND NATIONAL SALARIES AND TO RECTIFY THE DEVELOPMENT THAT HAS TAKEN PLACE."

2. THIS GERMAN PAPER IS IN LINE WITH OUR POSITION, AND YOU SHOULD WORK CLOSELY WITH FRG DELEGATIONS WITH A VIEW OF GETTING EARLY CCG AGREEMENT.

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